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Appraisal Subcommittee
Federal Financial Institutions Examination Council

August 11, 2015

Ms. Laura L. Smith, Administrator
South Carolina Real Estate Appraisers Board
Department of Labor, Licensing and Regulation
P O Box 11847
Columbia, SC 29211-1847

RE: ASC Compliance Review of South Carolina's Appraiser Regulatory Program

Dear Ms. Smith:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of the South Carolina appraiser regulatory program (Program) on May 12-15, 2015, to determine the Program's compliance with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended.

The ASC considered the preliminary results of the Review and the State's response to those results. The Program is given an ASC Finding of "Needs Improvement." The final ASC Compliance Review Report (Report) is attached.

The ASC identified the following areas of non-compliance:

- States must, at a minimum, adopt and/or implement all relevant AQB Criteria;¹
- States must use a reliable means of validating appraiser experience claims;²
- States may not accept an affidavit for experience credit claimed from applicants for any federally recognized credential;³ and
- States must select and analyze a representative sample of work product for USPAP compliance on all initial or upgrade applications for appraiser credentialing.⁴

ASC staff will confirm that appropriate corrective actions have been taken through off-site monitoring and during the next Review. South Carolina will remain on a two-year Review Cycle.

This letter and the attached Report are public records and available on the ASC website. Please contact us if you have any questions about this Report.

Sincerely,



Arthur Lindo
Chairman

Attachment

cc: Mr. George E. Knight, Jr., Chairman

¹ 12 U.S.C. § 3345; 12 U.S.C. § 3347; Policy Statement I C, D.

² 12 U.S.C. § 3347; Policy Statement 4 D.

³ 12 U.S.C. § 3347; Policy Statement 4 D.

⁴ 12 U.S.C. § 3347; Policy Statement 4 D.

ASC Finding Descriptions

ASC Finding	Rating Criteria	Review Cycle*
Excellent	<ul style="list-style-type: none"> • State meets all Title XI mandates and complies with requirements of ASC Policy Statements • State maintains a strong regulatory Program • Very low risk of Program failure 	2-year
Good	<ul style="list-style-type: none"> • State meets the majority of Title XI mandates and complies with the majority of ASC Policy Statement requirements • Deficiencies are minor in nature • State is adequately addressing deficiencies identified and correcting them in the normal course of business • State maintains an effective regulatory Program • Low risk of Program failure 	2-year
Needs Improvement	<ul style="list-style-type: none"> • State does not meet all Title XI mandates and does not comply with all requirements of ASC Policy Statements • Deficiencies are material but manageable and if not corrected in a timely manner pose a potential risk to the Program • State may have a history of repeated deficiencies but is showing progress toward correcting deficiencies • State regulatory Program needs improvement • Moderate risk of Program failure 	2-year with additional monitoring
Not Satisfactory	<ul style="list-style-type: none"> • State does not meet all Title XI mandates and does not comply with all requirements of ASC Policy Statements • Deficiencies present a significant risk and if not corrected in a timely manner pose a well-defined risk to the Program • State may have a history of repeated deficiencies and requires more supervision to ensure corrective actions are progressing • State regulatory Program has substantial deficiencies • Substantial risk of Program failure 	1-year
Poor ⁵	<ul style="list-style-type: none"> • State does not meet Title XI mandates and does not comply with requirements of ASC Policy Statements • Deficiencies are significant and severe, require immediate attention and if not corrected represent critical flaws in the Program • State may have a history of repeated deficiencies and may show a lack of willingness or ability to correct deficiencies • High risk of Program failure 	Continuous monitoring

*Program history or nature of deficiency may warrant a more accelerated Review Cycle.

⁵ An ASC Finding of “Poor” may result in significant consequences to the State. See Policy Statement 5, *Reciprocity*; see also Policy Statement 8, *Interim Sanctions*.

ASC Compliance Review Report

ASC Finding: Needs Improvement
Final Report Issue Date: August 11, 2015

South Carolina Appraiser Regulatory Program (State)

South Carolina Real Estate Appraisers Board (Board) / Decision Making	PM: J. Tidwell	ASC Compliance Review Date: May 12-15, 2015	Review Period: May 2013 to May 2015
Umbrella Agency: South Carolina Department of Labor, Licensing and Regulation		Number of State Credentialed Appraisers on National Registry: 2,129	Review Cycle: Two Year

Applicable Federal Citations	Compliance (YES/NO) Areas of Concern (AC)			ASC Staff Observations	State Response	Required/Recommended State Actions	General Comments
	YES	NO	AC				
Statutes, Regulations, Policies and Procedures:		X					
States must, at a minimum, adopt and/or implement all relevant AQB Criteria. (12 U.S.C. § 3345; 12 U.S.C. § 3347; Policy Statement 1 C, D.)				AQB Criteria requires the experience log to reflect the actual number of hours spent on the appraisal process by an applicant for each assignment and the scope of the review and supervision of any supervising appraiser. South Carolina Regulation § 137-300.01. (A) (3) does not include the number of actual hours performed by the applicant or the scope of the review and supervision of any supervising appraiser.	On July 13, 2015, the State reported that revisions to bring the regulations into compliance with AQB Criteria were drafted and will be introduced in January 2016 when the South Carolina Legislature reconvenes.	The State must continue the process to amend its regulations to bring them into compliance with AQB Criteria, and provide the ASC staff with a copy of the final rules once adopted.	During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 1.
Temporary Practice:	X						
				No compliance issues noted.	N/A	None	None
National Registry:	X						
				No compliance issues noted.	N/A	None	None
Application Process:		X					
States must use a reliable means of validating appraiser experience claims. (12 U.S.C. § 3347; Policy Statement 4 D.)				The State uses a point system for determining appraisal experience hours. Although the State revised its experience log forms to meet AQB Criteria, some applicants were being credentialed based on the point system and not actual experience hours spent on the appraisal process.	On July 13, 2015, the State reported that procedurally they will calculate actual experience hours to meet AQB Criteria.	The State must require applicants for appraiser credentials to provide their actual number of experience hours as required by AQB Criteria. The State may utilize the point procedure for internal purposes; however the file must reflect the actual number of hours worked as required by AQB Criteria.	Through off-site monitoring and during the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 4.

ASC Compliance Review Report

ASC Finding: Needs Improvement
Final Report Issue Date: August 11, 2015

South Carolina Appraiser Regulatory Program (State)

South Carolina Real Estate Appraisers Board (Board) / Decision Making	PM: J. Tidwell	ASC Compliance Review Date: May 12-15, 2015	Review Period: May 2013 to May 2015
Umbrella Agency: South Carolina Department of Labor, Licensing and Regulation		Number of State Credentialed Appraisers on National Registry: 2,129	Review Cycle: Two Year

Applicable Federal Citations	Compliance (YES/NO) Areas of Concern (AC)			ASC Staff Observations	State Response	Required/Recommended State Actions	General Comments
	YES	NO	AC				
Application Process continued:		X					
States may not accept an affidavit for experience credit claimed from applicants for any federally recognized credential. (12 U.S.C. § 3347; Policy Statement 4 D.)				The State allows an applicant to use mass appraisal experience for up to 40% of their total experience toward licensure or certification. The mass appraisal experience was not reported on forms that comply with the AQB requirements containing, at a minimum: (1) the type of property; (2) date of report; (3) address of appraised property; (4) description of work and scope of review; (5) number of actual work hours; and (6) the signature and State certification number of the supervising appraiser.	On July 13, 2015, the State reported that applicants using mass appraisal experience will be required to report it on forms that comply with the AQB requirements.	The State must require applicants for appraiser credentials to report all experience, including mass appraisal experience, on forms that comply with the AQB requirements containing, at a minimum: (1) the type of property; (2) date of report; (3) address of appraised property; (4) description of work and scope of review; (5) number of actual work hours; and (6) the signature and State certification number of the supervising appraiser.	Through off-site monitoring and during the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 4.
Application Process continued:		X					
States must select and analyze a representative sample of work product for USPAP compliance on all initial or upgrade applications for appraiser credentialing. (12 U.S.C. § 3347; Policy Statement 4 D.)				The State allows an applicant to use mass appraisal experience for up to 40% of their total experience toward licensure or certification. However, the State was not selecting samples from claimed mass appraisal experience to review for Uniform Standards of Professional Appraisal Practice (USPAP) compliance.	On July 13, 2015, the State reported that in the future, mass appraisal experience will be audited and reviewed for USPAP compliance.	The State must review work samples of mass appraisal experience to determine USPAP compliance.	Through off-site monitoring and during the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 4.
Reciprocity:	X						
				No compliance issues noted.	N/A	None	None

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Umbrella Agency: South Carolina Department of Labor, Licensing and Regulation		Number of State Credentialed Appraisers on National Registry: 2,129	Review Cycle: Two Year

Applicable Federal Citations	Compliance (YES/NO) Areas of Concern (AC)			ASC Staff Observations	State Response	Required/Recommended State Actions	General Comments
	YES	NO	AC				
Education:				No compliance issues noted.	N/A	None	None
Enforcement:			X	ASC staff found by policy, State staff did not open or consider cases on complaints involving appraisals that were 5 or more years old.	On July 13, 2015, the State reported they will open complaints received involving appraisals that are in excess of 5 years old for the staff investigator to determine the status of the appraisal report/work file and if the case should be continued or closed. In addition, the investigation department reopened cases that were a concern during the Compliance Review.	The State must open or consider cases on complaints involving appraisals that were 5 or more years old.	During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 1 and 7.